



House of Representatives

General Assembly

File No. 51

January Session, 2007

House Bill No. 7062

House of Representatives, March 13, 2007

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT EXEMPTING INSURANCE CONTRACTS AND POLICIES FOR MUNICIPALITIES FROM THE INSURANCE PREMIUM TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-202 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2007, and*
3 *applicable to income years commencing on or after January 1, 2007*):

4 (a) Each domestic insurance company shall, annually, pay a tax on
5 the total net direct premiums received by such company during the
6 calendar year next preceding from policies written on property or risks
7 located or resident in this state. The rate of tax on all net direct
8 insurance premiums received on and after January 1, 1995, shall be one
9 and three-quarters per cent. The franchise tax imposed under this
10 section on premium income for the privilege of doing business in the
11 state is in addition to the tax imposed under chapter 208. In the case of
12 any local domestic insurance company the admitted assets of which as
13 of the end of an income year do not exceed ninety-five million dollars,
14 eighty per cent of the tax paid by such company under chapter 208

15 during such income year reduced by any refunds of taxes paid by such
16 company and granted under said chapter within such income year and
17 eighty per cent of the assessment paid by such company under section
18 38a-48 during such income year shall be allowed as a credit in the
19 determination of the tax under this chapter payable with respect to
20 total net direct premiums received during such income year, provided
21 that these two credits shall not reduce the tax under this chapter to less
22 than zero, and provided further in the case of a local domestic
23 insurance company which is a member of an insurance holding
24 company system, as defined in section 38a-129, these credits shall
25 apply if the total admitted assets of the local domestic insurance
26 company and its affiliates, as defined in said section, do not exceed
27 two hundred fifty million dollars or, in the alternative, in the case of a
28 local domestic insurance company which is a member of an insurance
29 holding company system, as defined in section 38a-129, these credits
30 shall apply only if total direct written premiums are derived from
31 policies issued or delivered in Connecticut, on risk located in
32 Connecticut and, as of the end of the income year the company and its
33 affiliates have admitted assets minus unpaid losses and loss
34 adjustment expenses that are also discounted for federal and state tax
35 purposes and which for said local domestic insurance company and its
36 affiliates, as defined in said section do not exceed two hundred fifty
37 million dollars.

38 (b) Notwithstanding the provisions of subsection (a) of this section,
39 the tax shall not apply to any new or renewal contract or policy
40 entered into with a municipality on or after July 1, 2007, to provide
41 health care coverage to municipal employees, retirees and their
42 dependents.

43 Sec. 2. Section 12-202a of the general statutes is repealed and the
44 following is substituted in lieu thereof (*Effective July 1, 2007, and*
45 *applicable to income years commencing on or after January 1, 2007*):

46 (a) Each health care center, as defined in section 38a-175, that is
47 governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to

48 the Commissioner of Revenue Services for the calendar year
49 commencing on January 1, 1995, and annually thereafter, at the rate of
50 one and three-quarters per cent of the total net direct subscriber
51 charges received by such health care center during each such calendar
52 year on any new or renewal contract or policy approved by the
53 Insurance Commissioner under section 38a-183. Such payment shall be
54 in addition to any other payment required under section 38a-48.

55 (b) Notwithstanding the provisions of subsection (a) of this section,
56 the tax shall not apply to:

57 (1) Any new or renewal contract or policy entered into with the state
58 on or after July 1, 1997, to provide health care coverage to state
59 employees, retirees and their dependents;

60 (2) Any subscriber charges received from the federal government to
61 provide coverage for Medicare patients;

62 (3) Any subscriber charges received under a contract or policy
63 entered into with the state to provide health care coverage to Medicaid
64 recipients under the Medicaid managed care program established
65 pursuant to section 17b-28, which charges are attributable to a period
66 on or after January 1, 1998;

67 (4) Any new or renewal contract or policy entered into with the state
68 on or after April 1, 1998, to provide health care coverage to eligible
69 beneficiaries under the HUSKY Medicaid Plan Part A, HUSKY Part B,
70 or the HUSKY Plus programs, each as defined in section 17b-290;

71 (5) Any new or renewal contract or policy entered into with the state
72 on or after April 1, 1998, to provide health care coverage to recipients
73 of state-administered general assistance pursuant to section 17b-192;

74 (6) Any new or renewal contract or policy entered into with the state
75 on or after February 1, 2000, to provide health care coverage to retired
76 teachers, spouses or surviving spouses covered by plans offered by the
77 state teachers' retirement system;

78 (7) Any new or renewal contract or policy entered into with a
 79 municipality on or after [July 1, 2001, to provide health care coverage
 80 to employees of a municipality and their dependents under a plan
 81 procured pursuant to section 5-259] July 1, 2007, to provide health care
 82 coverage to municipal employees, retirees and their dependents;

83 (8) Any new or renewal contract or policy entered into on or after
 84 July 1, 2001, to provide health care coverage to employees of nonprofit
 85 organizations and their dependents under a plan procured pursuant to
 86 section 5-259;

87 (9) Any new or renewal contract or policy entered into on or after
 88 July 1, 2003, to provide health care coverage to individuals eligible for
 89 a health coverage tax credit and their dependents under a plan
 90 procured pursuant to section 5-259;

91 (10) Any new or renewal contract or policy entered into on or after
 92 July 1, 2005, to provide health care coverage to employees of
 93 community action agencies and their dependents under a plan
 94 procured pursuant to section 5-259; or

95 (11) Any new or renewal contract or policy entered into on or after
 96 July 1, 2005, to provide health care coverage to retired members and
 97 their dependents under a plan procured pursuant to section 5-259.

98 (c) The provisions of this chapter pertaining to the filing of returns,
 99 declarations, installment payments, assessments and collection of
 100 taxes, penalties, administrative hearings and appeals imposed on
 101 domestic insurance companies shall apply with respect to the charge
 102 imposed under this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-202

Sec. 2	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-202a
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INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Loss	6.5 million	6.8 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 08 \$	FY 09 \$
Various Municipalities	Savings	6.5 million	6.8 million

Explanation

The bill is anticipated to result in a General Fund revenue loss of \$6.5 million in FY 08 and \$6.8 million in FY 09 from exempting health insurance contracts and policies sold to municipalities from the Insurance Premiums Tax.

Municipal Impact

Municipalities are anticipated to realize savings of \$6.5 million in FY 08 and \$6.8 million in FY 09 as a result of repealing the Insurance Premiums Tax.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$	FY 12 \$
Department of Revenue Services	GF - Revenue Loss	7.0 million	7.3 million	7.6 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 10 \$	FY 11 \$	FY 12 \$
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Various Municipalities	Savings	7.0 million	7.3 million	7.6 million
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OLR Bill Analysis**HB 7062*****AN ACT EXEMPTING INSURANCE CONTRACTS AND POLICIES
FOR MUNICIPALITIES FROM THE INSURANCE PREMIUM TAX*****SUMMARY:**

This bill exempts all health insurance plans sold to municipalities on or after July 1, 2007, from the 1.75% premium tax paid by domestic (Connecticut) insurance companies and HMOs. Current law exempts such plans from the tax only if sold by an HMO and through the Municipal Employee Health Insurance Plan (MEHIP).

EFFECTIVE DATE: July 1, 2007 and applicable to income years beginning on or after January 1, 2007.

BACKGROUND***Premium Tax***

By law, HMOs and domestic and foreign insurers (those organized in another state) must pay an annual premium tax of 1.75% per contract or policy sold in Connecticut. Numerous exemptions to the HMO premium tax have been enacted in past years, including for contracts covering state employees; Medicare and Medicaid recipients; retired teachers; individuals eligible for a health coverage tax credit; and municipal employees and retirees, nonprofit employees, and community action agency employees covered through MEHIP.

MEHIP

MEHIP is a group health insurance program for municipal employees established by law and sponsored by the Office of the Comptroller. Subsequent laws expanded MEHIP eligibility to (1) nonprofit community action agencies, (2) state-contracted nonprofit corporations, (3) regional emergency telecommunications centers and tourism districts, and (4) small employers.

Related Bill

sHB 7060 exempts health insurance plans sold to small employer groups from the 1.75% premium tax paid by HMOs.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 17 Nay 0 (02/27/2007)